



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CLINTON COUNTY  
SHERIFF'S SETTLEMENT - 1998 TAXES**

**September 16, 1999**

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Charlene King, Clinton County Judge/Executive  
Honorable Kay Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the Clinton County Sheriff's Settlement - 1998 Taxes as of September 16, 1999. This tax settlement is the responsibility of the Clinton County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Clinton County Sheriff's taxes charged, credited, and paid as of September 16, 1999, in conformity with the basis of accounting described in the preceding paragraph.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying schedule of excess of liabilities is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charlene King, Clinton County Judge/Executive

Honorable Kay Riddle, Clinton County Sheriff

Members of the Clinton County Fiscal Court

Based on the results of our audit, we present comments and recommendations, included herein, which discusses the following areas of noncompliance.

- The Sheriff Should Eliminate A Cumulative Deficit Of \$5,994 In His Tax Account
- The Sheriff Should Remit \$227 To The Kentucky State Treasurer, \$7,167 To The Clinton County Fiscal Court, \$44,659 To The Clinton County School District, \$1,619 To The Library District, \$1,869 To The Health District, \$1,901 To The Extension District, And \$1,355 To The Soil Conservation District Based On 1997 And 1998 Tax Collections
- The Sheriff Should Withhold Correct Commissions From Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Reconcile Daily Deposits To Daily Collections
- The Sheriff Should Prepare Tax Settlement By September 1
- The Sheriff Should Pay Advertising Costs To The Fiscal Court
- Subsequent Events – 1999 Tax Collections Were Not Reported And Distributed Properly
- Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness
- The Sheriff Should Improve Recordkeeping Procedures
- Other Reportable Conditions And Material Weaknesses

In accordance with Government Auditing Standards, we have also issued a report dated January 24, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
January 24, 2000

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES

September 16, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 91,231	\$ 111,595	\$ 669,573	\$ 249,257
Tangible Personal Property	6,826	5,861	35,954	35,184
Intangible Personal Property				6,767
Fire Protection	1,009			
Franchise Corporation	10,508	9,188	56,289	
Oil Property	1,109	1,356	8,137	3,029
LSG Reserves	40	49	296	110
Additional Billings	106	127	760	283
Increased Through Erroneous Assessments	14	17	100	37
Penalties	890	1,074	6,448	2,493
Adjusted to Sheriff's Receipt	53	57	303	368
Gross Chargeable to Sheriff	<u>\$ 111,786</u>	<u>\$ 129,324</u>	<u>\$ 777,860</u>	<u>\$ 297,528</u>
<u>Credits</u>				
Discounts	\$ 1,413	\$ 1,669	\$ 10,024	\$ 4,237
Exonerations	1,488	1,750	10,524	3,948
Delinquents:				
Real Estate	5,440	6,629	39,775	14,807
Tangible Personal Property	230	197	1,211	1,456
Intangible Personal Property				
Uncollected Franchise	212	297	1,320	
Total Credits	<u>\$ 8,783</u>	<u>\$ 10,542</u>	<u>\$ 62,854</u>	<u>\$ 24,448</u>
Net Tax Yield	\$ 103,003	\$ 118,782	\$ 715,006	\$ 273,080
Less: Commissions *	<u>4,665</u>	<u>5,048</u>	<u>28,600</u>	<u>11,893</u>
Net Taxes Due	\$ 98,338	\$ 113,734	\$ 686,406	\$ 261,187
Taxes Paid	95,373	110,405	665,557	260,854
Refunds (Current and Prior Year)	<u>39</u>	<u>47</u>	<u>283</u>	<u>106</u>
Due Districts as of		**		
Completion of Fieldwork	<u>\$ 2,926</u>	<u>\$ 3,282</u>	<u>\$ 20,566</u>	<u>\$ 227</u>

\* and \*\* See Page 4

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES  
September 16, 1999  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	484,865
4% on	\$	715,006

\*\* Special Taxing Districts:

Library District	\$	718
Health District		828
Extension District		859
Soil Conservation District		<u>877</u>
Due Districts	\$	<u><u>3,282</u></u>

The accompanying notes are an integral part of the financial statement.



CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

September 16, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of January 5, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

CLINTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 September 16, 1999  
 (Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 25, 1998 through July 3, 1999.

Note 4. Interest Income

The Clinton County Sheriff earned \$1,537 as interest income on 1998 taxes. As noted in comment six of Comments and Recommendations, the Sheriff should distribute \$72 to the school district as required by statute, and the remainder should be used to operate the Sheriff's office.

Note 5. Subsequent Events

The Sheriff did not report and distribute money collected during the preceding month by the tenth of the following month for 1999 tax collections as required by KRS 134.300. As noted below, monthly reports for November 1999 and December 1999 were paid late or not paid.

a) Paid Late

<u>District</u>	<u>Month</u>	<u>Amount</u>
State	November	\$ 18,491
Fiscal Court	November	14,674
Fire Acres	November	75
School	November	95,829
Library	November	4,940
Total		<u>\$ 134,009</u>

b) Not Paid

<u>District</u>	<u>Month(s)</u>	<u>Amount</u>
Health	November	\$ 4,542
Extension	November	5,577
Soil Conservation	November and December	4,875
Total		<u>\$ 14,994</u>

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

As of September 16, 1999

Assets

Cash in Bank ( All Tax Accounts)		\$	4,332
Deposits in Transit			5,276
Receivables:			
1998 Fee Account-			
Overpayment of Tax Commissions-			
1997 Taxes	\$	9,423	
1998 Taxes		14,813	
Franchise Taxes Deposited to Fee Account - 1997 Taxes		1,172	
Funds Transferred in Error - 1996 Refunds		3,096	
1999 Fee Account-			
Overpayment of Tax Commissions-			
1997 Taxes		11,000	
1998 Taxes		13,998	
Bank Service Charges-			
1997 Taxes		24	
1998 Taxes		110	
Taxes Deposited to Fee Account - 1998 Taxes		1,717	
1998 Tax Account-			
Funds Transferred from 1997 Tax to 1998 Tax		3,000	58,353
			<hr/>
Total Assets		\$	<hr/> 67,961

Liabilities

Outstanding Checks		\$	41
Paid Obligations:			
Nonsufficient Fund Checks	\$	1,261	
Bank Service Charges		8	
			<hr/>
Total Paid Obligations			1,269

KAY RIDDLE, SHERIFF  
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS  
 As of September 16, 1999  
 (Continued)

Liabilities (Continued)

Unpaid Obligations:

Other Taxing Districts-

Kentucky State Treasurer-

1998 Taxes	\$	227
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Clinton County-

Fiscal Court-

1997 Taxes	3,508
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1998 Taxes	2,926
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1996 Advertising Costs	12
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1997 Advertising Costs	334
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1998 Advertising Costs	387
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Board of Education-

1997 Taxes	21,961
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1998 Taxes	20,566
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1996 Interest	455
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1997 Interest	1,586
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1998 Interest	72
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Overpayment of Tax Commission - 1998 Taxes	19
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Library District-

1997 Taxes	901
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1998 Taxes	718
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Health District-

1997 Taxes	1,041
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1998 Taxes	828
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Extension District-

1997 Taxes	1,042
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1998 Taxes	859
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Soil Conservation District-

1997 Taxes	478
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1998 Taxes	877
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KAY RIDDLE, SHERIFF  
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS  
 As of September 16, 1999  
 (Continued)

Liabilities (Continued)

Unpaid Obligations: (Continued)

Amounts Due Sheriff's Fee Account-		
Tax Commissions - 1996 Taxes	\$	2,474
Bank Share Commissions-		
1997 Taxes		1,508
1998 Taxes		24
1997 Interest		1,298
1998 Interest		675
Sheriff's Fees-		
1996 Taxes		216
1997 Taxes		355
1998 Taxes		3,983
Amount Due to 1998 Fee Account From		
1997 Tax for Deposit Error		297
1997 Tax Account-		
Funds Transferred from 1997 Tax to 1998 Tax		3,000
Refunds Due Taxpayers-		
Overpayment of 1996 Franchise Tax Bill		<u>18</u>
Total Unpaid Obligations	\$	<u>72,645</u>
Total Liabilities	\$	<u>73,955</u>
Total Fund Deficit as of September 16, 1999	\$	<u>(5,994)</u>

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## COMMENTS AND RECOMMENDATIONS





CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS

September 16, 1999

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Eliminate A Cumulative Deficit Of \$5,994 In His Tax Account

There is a \$5,994 deficit in the Sheriff's official tax account. This results from a prior year deficit of \$4,061 and undeposited 1998 tax receipts of \$1,933. We recommend that Sheriff Riddle eliminate this deficit with personal funds and in the future deposit all tax receipts on a daily basis. This matter has been referred to the Attorney General's Office and the Kentucky State Police for appropriate action.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

2) The Sheriff Should Remit \$227 To The Kentucky State Treasurer, \$7,167 To The Clinton County Fiscal Court, \$44,659 To The Clinton County School District, \$1,619 To The Library District, \$1,869 To The Health District, \$1,901 To The Extension District, And \$1,355 To The Soil Conservation District Based On 1997 And 1998 Tax Collections

A. 1998 Taxes

Based on the Schedule of Excess of Liabilities Over Assets, the Sheriff's 1998 tax account is due refunds from the 1998 Fee Account of \$14,813 and the 1999 Fee Account of \$15,825. The Sheriff should remit from his 1998 tax account \$227 to the Kentucky State Treasurer, \$2,926 to the Clinton County Fiscal Court, \$20,566 to the Clinton County School District, \$718 to the Library District, \$828 to the Health District, \$859 to the Extension District, and \$877 to the Soil Conservation District based on our audit of the Clinton County Sheriff's Settlement – 1998 Taxes. The Sheriff also owes interest of \$72 for 1998 taxes to the Clinton County School District, advertising costs of \$387 for 1998 taxes to the Clinton County Fiscal Court, and overpayment of tax commissions of \$19 for 1998 taxes to the Clinton County School District, and the 1997 Tax Account \$3,000. In addition, the Sheriff should transfer remaining funds of \$4,682 from his tax account to his fee account. When these recommendations are enacted and the \$1,933 in personal funds referred to in comment one are deposited in the official tax account, funds will be available for all unpaid obligations.

B. 1997 Taxes

Based on the Schedule of Excess of Liabilities Over Assets, the Sheriff's 1997 tax account is due refunds from the 1998 Fee Account of \$13,691, the 1999 Fee Account of \$11,024, and the 1998 Tax Account of \$3,000. The Sheriff should remit from his 1997 tax account \$3,508 to the Clinton County Fiscal Court; \$21,961 to the Clinton County School District; \$901 to the Library District; \$1,041 to the Health District; \$1,042 to the Extension District; and \$478 to the Soil Conservation District based on our audit of the Clinton County Sheriff's Settlement – 1997 Taxes. The Sheriff also owes interest of \$2,041 for 1996 taxes and 1997 taxes to the Clinton County School District; advertising costs of \$346 for 1996 taxes and 1997 taxes to the Clinton County Fiscal Court; and refunds to taxpayers of \$18 for 1996 taxes. In addition, the Sheriff should transfer remaining funds of \$6,148 from his tax account to his fee account. When these recommendations are enacted and the \$4,061 in personal funds referred to in comment one are deposited in the official tax account, funds will be available for all unpaid obligations.

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
September 16, 1999  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

- 2) The Sheriff Should Remit \$227 To The Kentucky State Treasurer, \$7,167 To The Clinton County Fiscal Court, \$44,659 To The Clinton County School District, \$1,619 To The Library District, \$1,869 To The Health District, \$1,901 To The Extension District, And \$1,355 To The Soil Conservation District Based On 1997 And 1998 Tax Collections (Continued)

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

- 3) The Sheriff Should Withhold Correct Commissions For Tax Collections

Sheriff Riddle earned \$50,207 in commissions for 1998 tax collections. However, net commissions paid to the fee account totaled \$79,018. A balance of \$28,811 is due from the fee account for 1998 tax commissions and is included in the \$58,353 of receivables discussed in comment two. KRS 134.170 states “. . . the sheriff shall not apply or use any money received by him for any purpose other than that for which the money was paid or collected.” We recommend the Sheriff pay actual tax commissions earned to the fee account on a monthly basis.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

- 4) The Sheriff Should Pay Gross Tax Collections To The Board Of Education

KRS 160.150 requires the Sheriff to pay gross tax collections to the board of education. The board of education then shall pay tax commissions to the Sheriff as provided for in KRS 160.500. Sheriff Riddle delivered fourteen tax reports to the Clinton County Board of Education. However, the Sheriff only paid gross tax collections to the board of education on nine of the fourteen tax reports. We recommend the Sheriff pay gross tax collections to the board of education as required by KRS 160.150. The board of education should then pay the tax commissions to the Sheriff.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

- 5) The Sheriff Should Distribute Tax Collections By The Tenth Of Month

The Sheriff did not report and distribute money collected during the preceding month by the tenth of each month as required by KRS 134.300. All franchise taxes collected were not reported and distributed in a timely manner. Franchises collected for May 1999 were not reported. In addition, the Sheriff did not distribute money collected by the tenth of the following month. As noted below, monthly reports from March 1999 to July 1999 were either paid one to two months late, paid with checks which never cleared, or not paid.

CLINTON COUNTY  
 KAY RIDDLE, SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 September 16, 1999  
 (Continued)

STATE LAWS AND REGULATIONS: Continued)

5) Sheriff Should Distribute Tax Collections By The Tenth Of Month (Continued)

a) Paid Late

<u>District</u>	<u>Month(s)</u>	<u>Amount</u>
State	April and May	\$ 2,458
School	April	3,865
Library	March and April	1,077
Health	March and April	<u>1,144</u>
Total		<u>\$ 8,544</u>

b) Paid With Checks Which Never Cleared

<u>District</u>	<u>Month(s)</u>	<u>Amount</u>
County	April	\$ 533
Fire	April	3
Extension	April	171
Soil Conservation	March and April	<u>530</u>
Total		<u>\$ 1,237</u>

c) Not Paid

<u>District</u>	<u>Month(s)</u>	<u>Amount</u>
County	May, June, and July	\$ 1,519
Fire	May, June, and July	11
School	May, June, and July	11,117
Library	May, June, and July	477
Health	May, June, and July	539
Extension	May, June, and July	489
Soil Conservation	May, June, and July	<u>342</u>
Total		<u>\$ 14,494</u>

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
September 16, 1999  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

5) Sheriff Should Distribute Tax Collections By The Tenth Of Month (Continued)

We recommend the Sheriff comply with KRS 134.300 which requires the reporting and distribution of each month's collections by the tenth of the following month.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

6) The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly ". . . that part of investment earnings for the month which is attributable to the investment of school taxes." The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff's fee account. During 1998 tax collections, Sheriff Riddle earned interest of \$1,537 on his tax account. However, Sheriff Riddle did not pay the interest to the board of education or the fee account on a monthly basis. As of September 16, 1999, Sheriff Riddle owes the Clinton County Board of Education \$72 and the fee account \$675. We recommend the Sheriff comply with KRS 134.140(3)(b) and (d) by paying the amount of interest due to the school and fee account on a monthly basis.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

7) The Sheriff Should Reconcile Daily Deposits To Daily Collections

Technical Audit Bulletin 93-002, Section 4 requires the Sheriff to reconcile daily collections to daily deposits. During 1998 tax collections, computerized tax collection reports were not printed on a daily basis. Tax collection reports included anywhere from a couple of days to an entire month. In addition, deposits could not be traced to tax collection reports. Deposits do not appear to be made intact daily. Technical Audit Bulletin 93-002, Section 3 requires the Sheriff to deposit funds intact on a daily basis. We recommend the Sheriff print daily tax collection reports, deposit receipts intact daily, and reconcile daily tax collection reports to daily deposits.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

CLINTON COUNTY  
 KAY RIDDLE, SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 September 16, 1999  
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

8) The Sheriff Should Prepare Tax Settlement By September 1

Sheriff Riddle should make his tax settlement with the fiscal court by September 1 each year as required by KRS 134.310. KRS 134.310 states "the report of the state and local settlement shall be filed in the county clerk's office and approved by the county judge/executive no later than September 1 of each year." We recommend the Sheriff comply with this statute.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

9) The Sheriff Should Pay Advertising Costs To The Fiscal Court

KRS 134.440 requires that advertising costs recovered from the taxpayers be paid to the fiscal court when the fiscal court has previously paid this expense. Sheriff Riddle collected \$387 in advertising costs from taxpayers during the 1998 tax year. We recommend the Sheriff pay this \$387 to the County Treasurer.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

10) Subsequent Events – 1999 Tax Collections Were Not Reported And Distributed Properly

The Sheriff did not report and distribute money collected during the preceding month by the tenth of the following month for 1999 tax collections as required by KRS 134.300. As noted below, monthly reports for November 1999 and December 1999 were paid late or not paid.

a) Paid Late

<u>District</u>	<u>Month</u>	<u>Amount</u>
State	November	\$ 18,491
Fiscal Court	November	14,674
Fire Acres	November	75
School	November	95,829
Library	November	<u>4,940</u>
Total		<u>\$ 134,009</u>

CLINTON COUNTY  
 KAY RIDDLE, SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 September 16, 1999  
 (Continued)

10) Subsequent Events – 1999 Tax Collections Were Not Reported And Distributed Properly

b) Not Paid

<u>District</u>	<u>Month(s)</u>	<u>Amount</u>
Health	November	\$ 4,542
Extension	November	5,577
Soil Conservation	November and December	<u>4,875</u>
Total		<u>\$ 14,994</u>

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

11) Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness

We recognize the extent of segregation of duties is a judgement established by management. We also recognize this judgement is affected by certain circumstances beyond the elected official's control, such as functions prescribed by statutes and regulations and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

12) The Sheriff Should Improve Recordkeeping Procedures

Several areas were noted where the Sheriff had poor recordkeeping procedures. These conditions are hereby noted as reportable conditions pursuant to professional auditing standards. We believe these reportable conditions as described below are material weaknesses.

- a) Franchise taxes could not be identified through examining deposit slips because the entries were included with total checks for all tax deposits. Franchise tax collections should be clearly noted on deposit slips indicating the name of the company and amount of payment.
- b) All tax collections were not deposited intact in a timely manner on a daily basis. All funds should be deposited intact on a daily basis.
- c) Penalties on all oil property tax bills were not reported. All penalties collected should be included on monthly tax reports.

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
September 16, 1999  
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:  
(Continued)

12) The Sheriff Should Improve Recordkeeping Procedures (Continued)

- d) Tax receipts in the amount of \$1,717 were deposited to the 1999 fee account. All tax collections should be deposited to the tax account.
- e) Receipts in the amount of \$2,330 for 10% Sheriff Fee were deposited directly to 1999 fee account. All money collected for tax collections and related fees should be deposited to the tax account.
- f) A transfer of \$3,000 was made from the 1997 tax account to the 1998 tax account. Money from separate tax years should not be commingled.
- g) Reconciliation of monthly tax collection to the monthly tax distribution was not always performed. By reconciling these amounts the Sheriff could ensure that all tax collected had been reported and paid to the taxing districts.
- h) Tax commissions paid to the Sheriff by the board of education are being deposited directly to the fee account. Tax commissions received from the board of education should be deposited into tax account by separate deposit, and then a check should be written to the Sheriff's fee account for total tax commissions.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

13) Other Reportable Conditions And Material Weaknesses

Failure to deposit receipts intact daily as referred to in comment one, overpayment of tax commissions as referred to in comment three, failure to pay gross tax collections to board of education as referred to in comment four, failure to distribute money by tenth of month as referred to in comment five, failure to distribute interest earned monthly as referred to in comment six, and failure to reconcile daily deposits to daily collections as referred to in comment seven as described above in section for state laws and regulations, are hereby noted as reportable conditions pursuant to professional auditing standards. We believe these reportable conditions as described above are material weaknesses.

*Management's Response:*

*We have not responded to your recent audits because we feel they are incorrect.*

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
September 16, 1999  
(Continued)

PRIOR YEAR:

In the prior year audit report, we made the following comments and recommendations.

- The Sheriff Should Eliminate A Deficit Of \$4,061 In His Tax Account
- The Sheriff Should Remit \$3,854 To The Clinton County Fiscal Court, \$24,002 To The Clinton County School District, \$901 To The Library District, \$1,041 To The Health District, \$1,042 To The Extension District, And \$478 To The Soil Conservation
- The Sheriff Should Withhold Correct Commissions From Tax Collections
- The Sheriff Should Pay Gross Tax Collection To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Pay Advertising Costs To The Fiscal Court
- Subsequent Events – 1998 And 1999 Tax Collections Were Not Reported And Distributed Properly
- Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness
- The Sheriff Should Improve Recordkeeping Procedures
- Other Reportable Conditions And Material Weaknesses

These findings have not been corrected and have been commented on in the current audit report.



REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Charlene King, Clinton County Judge/Executive  
Honorable Kay Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Clinton County Sheriff's Settlement – 1998 Taxes as of September 16, 1999, and have issued our report thereon dated January 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's Settlement – 1998 Taxes as of September 16, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Eliminate A Cumulative Deficit Of \$5,994 In His Tax Account
- The Sheriff Should Remit \$227 To The Kentucky State Treasurer, \$7,167 To The Clinton County Fiscal Court, \$44,659 To The Clinton County School District, \$1,619 To The Library District, \$1,869 To The Health District, \$1,901 To The Extension District, And \$1,355 To The Soil Conservation District Based On 1997 And 1998 Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Account Monthly
- The Sheriff Should Reconcile Daily Deposits To Daily Collections
- The Sheriff Should Improve Recordkeeping Procedures

Honorable Charlene King, Clinton County Judge/Executive  
 Honorable Kay Riddle, Clinton County Sheriff  
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 Report On Compliance And On Internal Control  
 Over Financial Reporting Based On An Audit Of The Financial  
 Statement Performed In Accordance With Government Auditing Standards  
 (Continued)

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- Lack of Adequate Segregation Of Duties Is A Reportable Condition And Material Weakness
- The Sheriff Should Remit \$227 To The Kentucky State Treasurer, \$7,167 To The Clinton County Fiscal Court, \$44,659 To The Clinton County School District, \$1,619 To The Library District, \$1,869 To The Health District, \$1,901 To The Extension District, And \$1,355 To The Soil Conservation District Based On 1997 And 1998 Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Account Monthly
- The Sheriff Should Reconcile Daily Deposits To Daily Collections
- The Sheriff Should Improve Recordkeeping Procedures

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- Lack Of Adequate Segregation Of Duties Is A Reportable Condition And Material Weakness
- The Sheriff Should Remit \$227 To The Kentucky State Treasurer, \$7,167 To The Clinton County Fiscal Court, \$44,659 To The Clinton County School District, \$1,619 To The Library District, \$1,869 To The Health District, \$1,901 To The Extension District, And \$1,355 To The Soil Conservation District Based On 1997 And 1998 Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
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(Continued)

This report is intended for the information and use of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
January 24, 2000

